

## SERVICE TO UNDERSERVED COMMUNITIES

All federal credit unions may include in their fields of membership, without regard to location and regardless of membership category, underserved communities.

The charter type of a federal credit union adding an underserved community does not change, (*i.e.* a multiple common bond credit union remains a multiple common bond credit union for future field of membership expansion purposes.) However, including an underserved community does not automatically qualify your credit union for low-income designation. (For a discussion of “Low-income Designation” go to the following NCUA website: <http://www.ncua.gov/ORG/ORGCHART/Region6/R6ABHRefInfo.html>.)

More than one federal credit union can serve the same underserved community. To qualify, the proposed area must meet one of the following criteria identifying it as an “investment area”. (For complete guidance on service to underserved communities, please refer to Chapter 3, Section III, of NCUA’s *Chartering and Field of Membership Manual*. You may also contact your Regional Office.)

### A. Investment Area

There are seven criteria you may apply to determine if your proposed area is an “investment area”. To qualify, you only need to meet one of these criteria.

An “investment area” includes:

1. An area encompassed within a designated Empowerment Zone or Enterprise Community;
2. An area where at least 20 percent of the population lives in poverty;
3. An area in a Metropolitan Statistical Area (MSA) where the median family income is at or below 80 percent of the MSA median family income, or the national MSA family income (whichever is greater);
4. An area outside an MSA, where the median family income is at or below 80 percent of the statewide non-MSA median family income, or the national non-MSA median family income (whichever is greater);
5. An area where the unemployment rate is at least 1.5 times the national average;
6. An area where the percentage of occupied distressed housing is at least 20 percent; or

7. An area located outside an MSA with a county population loss between 1980 and 1990 of at least 10 percent.

The credit union can include contiguous geographic areas not meeting investment area criteria, provided their populations do not exceed 15 percent of the total population of the entire Investment Area.

## **B. Justifying the Proposed Community**

The “well-defined local community, neighborhood, or rural district” requirement will be met if:

1. The requested area is in a recognized single political jurisdiction, i.e., a county or its political equivalent or any contiguous political subdivisions contained therein, and the population of the area does not exceed 300,000; or
2. The requested area is in multiple contiguous political jurisdictions, i.e., a county or its political equivalent or any contiguous political subdivisions contained therein, and the population of the area does not exceed 200,000.

If the proposed area meets either of these criteria and meets the definition of an investment area, then it is presumed to be a local community, neighborhood, or rural district with unmet needs for loans and equity investments. If the requested area exceeds these requirements, the credit union must justify the proposed community is a “well-defined local community, neighborhood, or rural district”.

## **C. Other Requirements**

To add an underserved community, the credit union must also:

1. Develop a business plan specifying how you will serve the community. (Refer to Section D on how to develop a business plan.)
2. Establish and maintain an office or facility in the community within two years, or have an existing office within close proximity to the underserved area. Close proximity will be determined on a case-by-case basis. However, the office must be readily accessible to the residents and the distance from the underserved area will not be an impediment to a majority of the residents to transact credit union business.

## **D. Business Plan Requirements**

The credit union must develop a detailed and practical business plan for at least the first two years of operation. This plan needs to address the unique financial and operational conditions of the underserved area. The business plan should include:

1. Current financial statements, including the income statement and a summary of loan delinquency;
2. Pro forma financial statements for the first two years after the proposed addition of the underserved area. Include the assumptions -- e.g., member, share, loan, and asset growth used in the pro forma financial statements;
3. Detailed marketing plan (with budget and calendar for two years) addressing how the underserved area will be served;
4. Financial services to be provided to members;
5. Location of service facilities indicated on a map;
6. Anticipated financial impact on the credit union in terms of need for additional employees and fixed assets, etc.; and
7. Identification of the credit and depository needs of the underserved area, and how the credit union plans to meet these needs.

<b>WEB SITE ADDRESSES</b>
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### **I Investment Area Web Sites**

There are many available resources on the Internet to determine if your proposed community qualifies as an “investment area”.

The Community Development Financial Institutions Fund’s (CDFI) website is the most comprehensive resource for determining if your area qualifies as an “investment area”. This web site, among other functions, will determine which census tract within a community or county qualifies as underserved.

?? To reach this site go to:

[www.treas.gov/cdfi](http://www.treas.gov/cdfi)

?? For information by census tract go to: Select "Online Help Desk"  
Select "CDFI Eligibility/Certification"  
Select a state  
Select "Investment Area Data Report"  
Select a county  
Press "Select"

?? To view a census tract map: Select "Census Tract Map"  
Select a county  
Press Select

Below is a list of other suggested websites:

#### 1. Empowerment Zone or Enterprise Community

?? For designations go to: [www.hud.gov/cpd/ezec/ezbyez.html](http://www.hud.gov/cpd/ezec/ezbyez.html)

?? To check for an address within a zone go to: [www.hud.gov/ezec/locator](http://www.hud.gov/ezec/locator)

#### 2. Poverty Levels

?? By county, go to: [www.census.gov/hhes/www/saipe/stcty/estimate.html](http://www.census.gov/hhes/www/saipe/stcty/estimate.html)  
Select "1995" as Income Year  
Select "State Name" or "National"  
Select "People of all ages in poverty" as the statistic

?? By census tract, use the CDFI's website.

#### 3./4. Metropolitan Area & Outside a Metropolitan Area

?? For the nation and states:  
<http://www.huduser.org/datasets/il/fmr99rev/medians2.html>  
Scroll down to Attachment 2

?? By county: [www.huduser.org/datasets/il/fmr99rev](http://www.huduser.org/datasets/il/fmr99rev)  
Select state (this will give you information by county and by MSA)

#### 5. Unemployment Rate

?? For Unemployment rate by census tract use the CDFI's website.

## 6. Distressed Housing

?? For distressed housing by census tract use the CDFI's website.

## 7. County Population Loss

?? For county population loss go to:

<http://www.census.gov/population/www/censusdata/cencounts.html>

Obtain "1900-1990 census counts"

Select "State"

You will then have to manually calculate the change in county population

## III Other Useful Web Site

### 1. Census Bureau – use this site to find the 1999-estimated population

?? [www.census.gov/population/www/estimates/popest.html](http://www.census.gov/population/www/estimates/popest.html)

Select county, state, or city

### 2. FFIEC - use this site to find census tract information for a specific address

?? <http://www.ffiec.gov/geocode/>

Enter address

(If you find other useful websites, please send them to [Region6@NCUA.gov](mailto:Region6@NCUA.gov))